



Damania & Varaiya
Chartered Accountants

TAX ALERT

Demonetisation of Rs. 500/- and Rs. 1,000/- notes announced on 8th November 2016 is a bold and courageous step aimed at curbing black money.

On representation from various quarters to provide another opportunity to persons with undisclosed income to pay tax and heavy penalty and allow them to come clean, the Government of India has proposed to introduce a scheme called "**Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016**". Under the scheme a person can declare unaccounted/undisclosed income in the form of cash or deposit lying in an account with specified entity (e.g. bank). The scheme is subject to the approval in the Rajya Sabha and consent by the Hon. President of India.

The salient features of the proposed scheme are as under:

1. The declarant, while the scheme is in force, can declare any income, in the form of cash or deposit in an account maintained with specified entity like **bank, co-operative bank, post office** etc.
2. The amount so disclosed shall be liable to;
 - i. Tax @30% of income
 - ii. Surcharge @9.90% of income
 - iii. Penalty @10% of income
 - So the total levy will be 49.90%.
 - The tax, surcharge & penalty shall be paid before filing of the declaration.
3. The declarant shall be further liable to deposit at least 25% of disclosed income in a deposit scheme to be notified under "Pradhan Mantri Garib Kalyan Deposit Scheme, 2016".
 - The deposit shall not bear any interest.
 - The deposit can be withdrawn after four years from the date of deposit.
 - The deposit shall be made before filing of the declaration.

4. Notwithstanding anything contained in any other law for the time being in force, nothing contained in any declaration made under the scheme shall be admissible as evidence against the declarant for the purpose of any proceeding under any Act other than the Acts mentioned in Section 199-O (Para 5 below).
5. The benefit of immunity under the Scheme shall not be available:
 - a) In relation to any person in respect of whom an order of detention has been made under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (COFEPOSA):
 - b) In relation to prosecution for any offence punishable under Chapter IX or Chapter XVII of the Indian Penal Code, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Unlawful Activities (Prevention) Act, 1967, the prevention of Corruption Act, 1988, the Prohibition of Benami Property Transactions Act, 1988 and the Prevention of Money – Laundering Act, 2002;
 - c) To any person notified under section 3 of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992;
 - d) In relation to any undisclosed foreign income and asset which is chargeable to tax under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
6. The Government of India has made amendment in the Income tax Act, 1961 under which any person found to have concealed any income or wealth, shall be liable to Income tax (including surcharge) @75% and penalty @6% of such income/wealth totaling to 81%.

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