Tax on Unaccounted Income Now Payable in Cash as Well

Those disclosing unaccounted wealth under the income declaration scheme (IDS) will have the option of paying the tax on such income in cash, the income-tax department has clarified through a fifth set of frequently asked questions (FAQs).

The I-T department has also said tax authorities will not question the valuation reports of the accredited valuers, clearing more doubts about the four-month long scheme that closes on September 30.

The government has requested the Reserve Bank of India to issue instructions to banks to allow over the counter payment of tax under the scheme in cash.

“It is clarified that no adverse action shall be taken against the declarant by Financial Intelligence Unit (FIU) or the I-T department solely on the basis of the information regarding cash deposit made consequent to the declaration under the scheme,“ the department has said.

The declaration will attract a total tax of 45%, including surcharge and penalty.

Valuation report from a registered valuer will not be questioned by tax officials. “In case of any misrepresentation, appropriate action as per law shall be taken against the registered valuer,“ the department said, dismissing doubts on this count.

The department has said income declared under the scheme for a particular assessment year can be taken into account to explain the transactions in the subsequent assessment years, helping assesses avoid multiple taxes on the same income once the declaration is made.

However, a nexus between the income declared and the transactions of the subsequent assessment year will have to be established.

The department has also relaxed the rules for the purpose of levy of capital gains tax when the asset declared is sold. The entire holding period will be considered to decide if short-term or long-term capital gains tax will be levied.

Under the rules, the fair market value as on June 1, 2016 is taxed under IDS and the same will be considered as cost of acquisition at the time of future sale of concerned asset.

Under the earlier rule, period of holding was to be considered from June 1, 2016. However, indexation benefits to account for inflation will only be available from June 1, 2016.

A trust or institution registered under section 12A of the Income Tax Act will not lose its registration under section 12A of the Income Tax Act, solely on the basis of the information furnished in the declaration filed under the scheme, the department has said. Under section 12A, income of institutions such as NGOs is exempted from tax.

In cases where fictitious loans, creditors, advances received, share capital, payables etc. are disclosed in the audited balance, these can also be declared under the scheme even if they are not linked to investment in any specific asset. “However, in cases where there is a direct link between the fictitious liability and the asset acquired then the amount to be declared shall be the fair market value of the acquired asset as on June1, 2016,” the department said.

(Economic Times)