



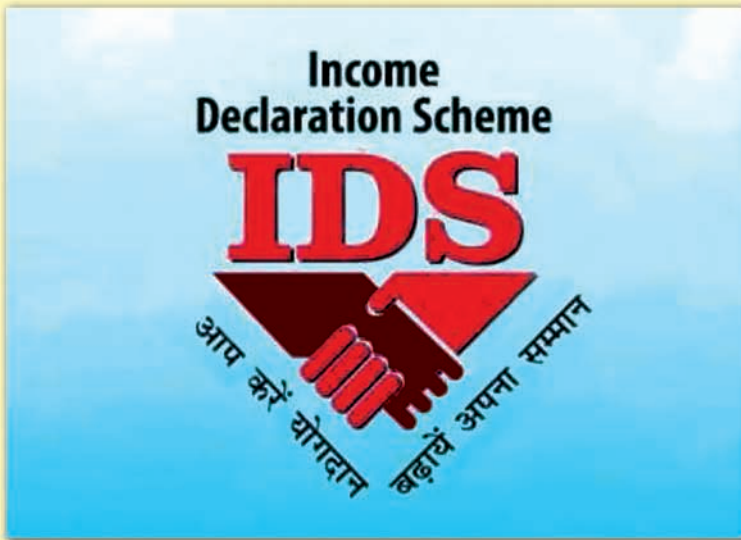
STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

*To kindle interest in economic affairs...
To empower the student community...*

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September 2016

Theme 298

INCOME DECLARATION SCHEME 2016



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South Indian Bank is a member of BCSBI and is committed to treat customers in a fair, transparent and non-discriminatory manner.

Theme No: 298: INCOME DECLARATION SCHEME 2016

A well informed customer will make the policy makers as well as organizations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organizations and improve the quality of goods and services produced. The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation.

Black money is one of the biggest problems faced by the Indian Economy. In spite of various steps taken, black money still exists in the economy in huge volumes. Recently Government declared Income Declaration Scheme (IDS), 2016 to convert black money into white money. This month we will discuss the “Income Declaration Scheme, 2016”.

Brief history of disclosure schemes.

Between 1951 and 1997, 10 amnesty schemes were announced by the Government of India (GOI) to declare unaccounted money. Only two of these schemes were seen as successful, the income declared under amnesty circular 1985/86 - Rs 10,778 crore, and under VDIS, 1997 - Rs. 33,000 crore.

What is the need of Income Declaration Scheme, 2016 for the government?

The Centre is planning to collect a sizeable sum through this move; some estimates peg the likely collection above Rs. 50,000 crores. Since this sum has not been included in the Budget, it will go a long way towards helping garner funds for infrastructure and other essential spending.

What is the opportunity of Income Declaration Scheme 2016?

The Scheme provides an opportunity to persons who have not paid full taxes in the past to come forward and declare the undisclosed income and pay tax, surcharge and penalty on such income. The Income Declaration Scheme, 2016 has been incorporated as Chapter IX of The Finance Act 2016.

Who can make declarations under Income Declaration Scheme 2016?

All ‘persons’, such as Individuals, HUFs, Companies, Firms, Association of persons (AOP) etc., are eligible to make declaration under the scheme. It provides an opportunity for everyone to officially convert their black money to white money.

What is scope & coverage of scheme?

The Declaration can be made in respect of any undisclosed income, investment in any asset representing undisclosed income relating to any financial year upto 2015-16. It

is not applicable to any undisclosed foreign income and asset to which the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 applies.

What is the applicable tax rate under Income Declaration Scheme, 2016?

1. Tax @ 30% of undisclosed income
 2. Surcharge @ 7.5% of undisclosed income
 3. Penalty @ 7.5% of undisclosed income
- Total: 45% of undisclosed income declared

What are the benefits of declaration?

The benefits of declaration are as follows:

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

What is the effect of non declaration?

- Undisclosed income and the value of any asset acquired out of such income in any year up to FY2015 -16 which is not declared under the Scheme will be brought to tax in the year in which notice is issued by the Department
- All consequences including, interest ,penalty &prosecution under I-T Act will follow accordingly

When will the declaration turn void?

- Misrepresentation or suppression of facts
- Non-payment of tax, surcharge and penalty by 30.11.2016

What are the circumstances which do not apply?

- Notice has been issued under section 142 (1)/143(2)/148/153A/153 C of I-T Act (debarred only for AY for which notice is issued).
- Search/Survey have been conducted (debarred for affected years only)
- Incomes ought to be declared is chargeable under the Black Money Act, 2015
- COFEPOSA detainees, persons notified under Special Courts Act (1992), cases of prosecution under NDPS Act, Prevention of Corruption Act, and certain offences under Indian Penal Code

What are the forms to be used?

- Form1–Declaration form (to be filed by declarant by 30th Sep,2016)
- Form2–Acknowledgment of declaration (to be issued by PCIT/CIT within 15 days from the end of the month in which declaration is filed)
- Form3 Intimation of payment of tax, surcharge & penalty (to be furnished by declarant to PCIT/CIT by 30th Nov,2016).
- Form 4 Certificate of declaration (to be granted by PCIT/CIT within 15 days from

the date of intimation of payment).

Who are the authorized persons to sign the forms?

As per the Scheme, declaration is to be made in such form and shall be verified in such manner as may be prescribed. The form prescribed for this purpose is Form 1 which has been duly notified. The table below mentions the persons who are authorized to sign the said form:

Sl	Status of the declarant	Declaration to be signed by
1	Individual	a) The individual himself or if the individual is absent from India, person authorized by him. b) Where the individual is mentally incapacitated, his guardian or other person competent to act on his behalf.
2	HUF	Karta, where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of the HUF
3	Company	The Managing Director, where for any unavoidable reason the Managing Director is not able to sign or there is no managing director, by any director.
4	Firm	The Managing partner, where for any unavoidable reason the managing partner is not able to sign the declaration, or where there is no managing partner, by any partner, not being a minor.
5	Any other association	Any member of the association or the principal officer of the Association
6	Any other person	That person or by some other person competent to act on his behalf.

What are the informations to be furnished regarding the undisclosed income / where income has been declared in the form of investments in assets?

The details to be furnished regarding the undisclosed income / where income is as follows:

Immovable Property	Nature (Land/Building), Address, Name in which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided
Jewellery	a) Purity, Weight, Value of Gold, b) Carat, Cut, Colour, Clarity, Value of Diamond (of 1 carat or more) c) Value of Diamond (less than 1 carat) and other precious stones) Value of other precious metals to be provided
Artistic Work	Nature, Name under which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided

Quoted Shares and Securities	Name of Issuer, Number of Shares, Type of Security, Recognized Stock Exchange where quoted, Name under which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided
Unquoted Equity Shares	Name of Issuer, Number of Shares, Type of Security, Name under which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided
Unquoted Shares other than equity shares	Name of Issuer, Number of Shares, Type of Security, Name under which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided
Any Other Asset	Description of Asset, Name under which held, Date of Acquisition, Total Acquisition Cost, Value as per Regd. Valuer on 01-06-2016 along with report and FMV as per Rule 3 to be provided

How is the fair market value (FME) determined?

The method of determining the fair market value of the asset is given in Rule 3 of IDS. The assets are:

- a. Bullion, jewellery or precious stone
- b. Archaeological collections
- c. Drawings, paintings, sculptures or any work of art
- d. Shares & securities (quoted & unquoted)
- e. Immovable property
- f. Interest in a partnership firm
- g. Any other asset

Fair market value of asset as on 01.06.2016 (determined as per Rule3) to be declared.

Report of Registered Valuer to be obtained

Declaration to be made by 30/09/2016

What is the payment schedule under Income Declaration Scheme 2016 ?

First installment - 25% of tax, surcharge and penalty by 30/11/2016

Second Installment - 25% of tax, surcharge and penalty by 30/03/2017

Balance amount by 30/09/2017

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