

Important Points in Pradhan Mantri Garib Kalyan Yojana 2016- Bill

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Important Change u/s 68 & 115BBE of the Income Tax Act by way of this Bill



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Introduction

After demonetization of Rs.1000/- and Rs.500/- Currency Notes wef 8-11-2016, Many People started using illegal ways and means to convert their black money into white money.

To curb this practice and to give another opportunity to the person having black money to declare such black money, the Government today on 28-11-2016 presented a scheme in the shape of a bill called **Pradhan Mantri Garib Kalyan Yojana 2016.**

The Provisions of this shall come into force from the date to be notified by the Central Government in the official Gazette.

Example for the above Scheme

Suppose a person want to declare Rs.1 Crore under this Scheme then the total calculation will be as follows--

Tax @ 30% of Rs.1 Crore	30,00,000
+ Surcharge @ 33% on Tax	9,90,000
+ Penalty @10% of Rs.1 Crore	10,00,000
Total Outgo as Tax	49,90,000
Remaining amount with the Person (Which can be used for any purpose)	50,10,000
25% of Rs.1 Crore to be deposited today in Scheme (Locked for 4 Year interest free)	25,00,000
Balance amount which is available with the person as on today for any purpose	25,10,000

Amount to be available after 4 years	25,00,000
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The Important features of this scheme are as follows—

- 1- any person may make, a declaration in respect of any income, in the form of cash or deposit in an account maintained by the person with a banks or post offices, chargeable to tax under the Income-tax Act for any assessment year commencing on or before the 1st day of April, 2017.
- 2- No deduction in respect of any expenditure or allowance or set-off of any loss shall be allowed against the income in respect of which a declaration under sub-section (1) is made.
- 3- The Money disclosed in the above declaration will be chargeable to tax @ 30%.
- 4- The amount of tax chargeable under sub-section (1) shall be increased by a surcharge, for the purposes of the Union, to be called the *Pradhan Mantri Garib Kalyan* Cess calculated at the rate of 33% of such tax so as to fulfil the commitment of the Government for the welfare of the economically weaker sections of the society.
- 5- In addition to above tax and surcharge penalty @10% of the amount of income declared to be paid.
- 6- In addition to above tax +surcharge + penalty, an amount equivalent to 25% of the income declared to be deposited *Pradhan Mantri Garib Kalyan* Deposit Scheme, 2016. This deposit will be interest free and will be locked for next 4 years. After 4 years this deposit amount can be used for any purpose.
- 7- The total amount of tax +surcharge + penalty (which will become 49.9% of the total income declared)will have to be deposited before filing declaration of undisclosed income.
- 8- The amount of above mentioned deposit of 25% will also have to be deposited before filing declaration of undisclosed income.
- 9- The proof of deposit of both the above amount will be attached with the declaration.
- 10- The amount of undisclosed income declared in accordance with this scheme shall not be included in the total income of the declarant for any assessment year under the Income-tax Act.

11- The amount declared above shall not be used against the declarant under any taxation laws.

2- Another Important Change u/s 68 & 115BBE of the Income Tax Act by way of this Bill

At present if any person file his ITR, he has to prove the source of any Receipt / Credits in his hand and if he is unable to prove source of receipt / Credits, then this receipt is taxable under Section 68 of the Income Tax Act which is to be taxed at a flat rate of tax of 30% u/s 115BBE of the Income Tax Act.

The Government has proposed an important amendment in the Income Tax Act by way of this bill, to tax such income @60% (in place of 30% as earlier).

The effect of the above change will be that if any person has deposited cash in his bank account and filed his ITR showing that cash as his income but at the time Scrutiny or any enquiry if he is unable to substantiate the source of that cash, then that cash amount will be taxed @ 60% Flat rate.

Hope the information will assist you in your Professional endeavors. In case of any query/ information, please do not hesitate to write back to us.

Thanks and Best Regards

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