# IDS A chance to turn black to white

The union government has launched its ambitious Income Declaration Scheme, 2016 (the scheme or IDS) as Chapter IX of the Finance Act, 2016. The scheme is effective from 1st June to 30 September 2016. ***This* *scheme is a clear indication that the CBDT* *is providing one last chance to all the tax evaders to save them from the clutching* *grip of Income Tax***, after that Income tax the remaining evaders would be brought into scanner and legal prosecution shall be conducted against them.

Even our honorable Prime Minister Mr. Narendra Modi mentioned about the scheme in “Mann Ki Baat”. So what is this IDS scheme launched by BJP Government let’s get a brief insight about the same.

## Who are eligible to make declaration under the scheme?

All ‘Persons’ such as Individuals, HUFS, companies, Firms, associations of persons(AOP) are eligible to make declaration in this Scheme.

## What Kind of Declaration can be made under this Schemed?

Declaration can be made in respect of followings:

* Any undisclosed Income,
* Investment in any asset representing undisclosed Income.

***All such declaration can be made upto financial year 2015-16***

## What shall be amount paid by the declarant after disclosing the same?

The declarant shall be liable to pay aggregate tax rate @45% the breakup of which is as follows:

* TAX @30% of undisclosed Income
* Surcharge @7.5% of undisclosed Income
* Penalty @7.5% of undisclosed Income

## What shall be the benefit to the declarant as he is paying tax @45% which he would have saved by non disclosure?

The declarant after paying tax @45% of undisclosed Income shall be relieved of the followings

* No Wealth Tax on assets declared,
* No scrutiny or Inquiry under Income Tax and Wealth Tax Act in respect of declaration,
* Immunity in respect of prosecution under income Tax and Wealth tax Act in respect ofdeclaration,
* Immunity from Benami Transaction Act, subject to transfer of assets by the benamidar to the real owner before 30.09.2017.

## Can the assese take the benefit of the Scheme against whom search order or notice has been issued under various Income Tax Act provisions?

The assessee cannot take the benefit of the scheme under the following circumstances:

* Where notice has been issue under section 142(1)/143(2)/148/153A/153C of Income Tax Act, however disclosure can be made for the other assessment year for which no notice has been issued under the above mentioned sections,
* Where Search/Survey has been conducted for the relevant assessment year,
* Where the Income being declared is sought to be chargeable under Black Money Act,2015,
* Where 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,
* In Relation to prosecution for any offence punishable under Chapter IX or Chapter XVII of the Indian Penal Code (45 of 1860), the Narcotic Drugs and Psychotropic Substances Act, 1985 (61 of 1985), the Unlawful Activities (Prevention) Act, 1967 (37 of 1967) and the Prevention of Corruption Act, 1988 (49 of 1988);

## What is the due date for the compliance of the Scheme?

There are following dates which needs to be considered for this Scheme:

* Scheme is effective from 1st June,2016
* Declaration may be filed upto 30th September,2016
* Tax, surcharge and penalty to be paid upto 30th November,2016

## What is the other core area that would be affected under this scheme?

* Where undisclosed income is Invested in any asset is declared under the Scheme & tax, surcharge and penalty are duly paid on its “fair value” (as computed under section 43CA and 50C) then any capital gain arising on the sale in future will be computed by adopting such fair market value as on 01.06.2016 as the cost of acquisition and the period of holding shall also start from the date.
* Where investment in any asset is partly from explained source and partly from undisclosed income, proportionate reduction shall be allowed in determining the amount to be declared under this scheme.
* Information contained in the declaration is purely confidential and the same shall not be declared or shared to the other taxation authorities like VAT, Service tax, Excise Custom.

## What are the effects or consequences of non disclosure under this Scheme?

* Undisclosed Income and the value of any asset acquired out of such Income in any year upto FY 2015-16 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, penalty, interest & prosecution under IT Act will follow accordingly.

Thus this was the complete overview of the IDS scheme of Modi Government, which is trying to increase the treasury of government by catching the evaders and use the money in growth and development of country, however it’s also our responsibility being as an professional to help our clients in tax planning not tax evading and promote them to use the benefit of the Scheme or else the future consequences are going to be harsh.

Source courtesy:caclubindia.com